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RECIPROCITY IN OUR FOREIGN TRADE RELATIONS

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The sentiment for reciprocity in our foreign trade relations is almost unanimous among agriculturists, and there is a strong feeling for it among manufacturers. The basis for this is the belief that our tariff system has resulted either in the adoption of tariffs by nations to which we export, which have narrowed our opportunities for extending the sale of our surplus manufactured products in those countries, or in the imposition of severe sanitary regulations against our cattle and provisions, that have seriously affected our livestock and farming interests.

Reciprocity has been an accepted doctrine of the party in power, has been espoused by some of its most far-sighted statesmen, has been declared a policy in the platforms at several national conventions, and would, undoubtedly, if put into practical effect, give an impetus to our exports beyond anything that has yet been experienced. Its value is conceded by those nations that have incorporated it in their tariff systems.

The McKinley tariff act of 1900 included a provision for reciprocity, aimed principally at the republics south of us, and resulted in reciprocity treaties with several of them and with two nations in Europe. These treaties had been in operation only a short time when, through the policy of the Cleveland administration, they were rendered inoperative. In the Dingley tariff act, passed at a special session of Congress in 1897, the provisions for reciprocity were reinstated as a governmental policy on a much more comprehensive basis than in the McKinley act of 1900. Section 4 of the Dingley act provided:

That whenever the President of the United States, by and with the advice and consent of the Senate, with a view to secure reciprocal trade with foreign countries, shall, within the period of two years from and after the passage of this act, enter into commercial treaty or treaties with any other country or countries concerning the admission into any such country or countries of the goods, wares, and merchandise of the United States and

their use and disposition therein, deemed to be for the interest of the United States, and in such treaty or treaties, in consideration of the advantages accruing to the United States therefrom, shall provide for the reduction during a specified period, not exceeding five years, of the duties imposed by this act, to the extent of not more than 20 per centum thereof, upon such goods, wares, or merchandise as may be designated therein of the country or countries with which such treaty or treaties shall be made as in this section provided for; or shall provide for the transfer during such period from the dutiable list of this act to the free list thereof of such goods, wares, and merchandise, being the natural products of such foreign country or countries and not of the United States; or shall provide for the retention upon the free list of this act during a specified period, not exceeding five years, of such goods, wares and merchandise now included in said free list as may be designated therein; and when any such treaty shall have been duly ratified by the Senate and approved by Congress, and public proclamation made accordingly, . . . then and thereafter the duties which shall be collected by the United States upon any of the designated goods, wares, and merchandise from the foreign country with which such treaty has been made shall, during the period provided for, be the duties specified and provided for in such treaty, and none other.

President McKinley lost no time in putting this provision into practical effect. He appointed the Hon. John A. Kasson, of Iowa, as special commissioner, with plenipotentiary powers, and the latter negotiated several reciprocity treaties which were deemed by him to be favorable to the United States, and which, in the judgment of President McKinley, would widely extend the market for American products.

The most important of these treaties was with France. In this treaty France granted the United States concessions from her maximum to her minimum tariff for everything on her list except nineteen articles, while we, on the other hand, excluded 337 dutiable articles from the benefits of the concessions we granted to France. The average of the concessions which France made was about 48 per cent, including oils, and about 26 per cent, excluding oils. In some cases we granted France only 5 per cent reduction, in some 10, in some 15, and in a few 20 per cent, the latter being the extreme limit to which we could go under the Dingley act, while the average of all the concessions to France was only 6.8 per cent. As this was a treaty, however, under our constitution, it required ratification by a two-thirds vote of the Senate before it could become effective, and some of our manufacturers, thinking they

would be affected by the operations of the French treaty, protested successfully against its ratification. None of the other treaties were ratified, and all that had been accomplished under the Dingley act in negotiating them went for naught, while the hopes of the reciprocity advocates were temporarily blasted.

The limitation of time within which reciprocity treaties could be negotiated and ratified lapsed long ago, and there is no way of re-establishing these old treaties or making new ones without removing the time limit through action by Congress. There was a provision in the Dingley act, however, which, skilfully adopted by the present administration, has enabled us to ward off commercial warfare with Germany, and which has been used as a basis for several commercial agreements. Section 3 of that act provides that the President may make commercial agreements with the nations producing and exporting to the United States argols, or crude tartar, or wine lees, crude; brandies, or other spirits manufactured or distilled from grain or other materials; champagne, and all other sparkling wines; still wines, and vermouth; paintings and statuary; reducing the duties thereon in exchange for concessions which such nations may grant to the United States. As this is a very limited list of articles with which to trade, naturally the concessions which other nations are willing to grant are also limited. Beyond the prescribed commercial agreements, there is at present no reciprocity with foreign nations. Section 4 of the Dingley act could be re-enacted and the limitations of time therein imposed could be extended, but even then treaties negotiated thereunder would have to go before the Senate, where it would be as difficult now, as it was under President McKinley, to obtain the two-thirds vote necessary for ratification.

Our present tariff is rigid and is so inflexible that it seems useless to attempt to do anything more than has been done with it in the way of reciprocity. The only salvation for reciprocity, it seems to the writer, is, first, in a dual tariff with an authorization to the President to negotiate, execute, and to put into operation commercial agreements within the limitations which may be imposed upon him; and, second, to eliminate treaties from the program altogether. Our present tariff could serve as a maximum, and a minimum tariff schedule could be created by Congress. If the minimum were based on a 20 per cent reduction from the present tariff schedule, then we would still be within the reduction authorized by the Ding-

ley act of 1897; and between the maximum and the minimum, there would be a margin for bargaining with foreign nations. The President within this range might be authorized to make commercial agreements in the same way in which, under section 3 of the Dingley act, he is now allowed to make agreements embodying reductions in the limited number of articles mentioned in that section.

The single tariff, such as this country uses, has been discarded by most of the leading nations which have tariffs. Various forms of the dual, or maximum and minimum tariff, have been adopted by different nations, but the result sought in all of them is wider markets for their domestic products through reductions granted in reciprocal agreements or treaties; the difference between the higher and the lower tariff charges giving opportunity for mutual concessions.

Germany, under her new tariff, has executed reciprocity treaties or agreements with nearly every other country in Europe except those nations with which, in her general treaties, there exists the most-favored-nation clause, necessitating, therefore, no special or definite reciprocity arrangements. The higher of Germany's dual tariff rates would have become effective against the United States and would have been prohibitive against many of our exports theretofore sold in that country; but its operation was postponed through a limited agreement reached between the officials of the two nations. This agreement was ultimately made into a broader one for a specified period, which can and doubtless will be extended. The agreement, however, cannot be extended indefinitely, and the United States, so far as its commercial relations with Germany are concerned, must either make a reciprocity treaty and ratify it, or be prepared to enter upon a commercial war. The United States ought to have some provision for the establishment of reciprocal relations with other nations, else it will remain behind progressive countries in which more scientific methods have been adopted to extend their trade, and will also be liable to reprisals on the part of other countries with all the disagreeable results which follow.

Reciprocity advocates are experiencing a revival of hope based upon the declaration in the platform adopted at the Chicago convention favoring a maximum and minimum tariff. The statement with which the tariff plank opens, in which it is set forth unequiv-

ocally that a revision of the tariff shall be undertaken by a special session of Congress immediately following the inauguration of the next President, lays a foundation for the belief that the door for reciprocity will be opened in the immediate and not indefinite future. The outlook for reciprocity seems brighter now than at any time since the passage of the Dingley act in 1897. The declaration above quoted practically admits that the tariff needs revision and that the present system of a single inflexible schedule is obsolete. Naturally the fight will range over the maximum. Those who are in favor of reciprocity believe that in many cases a decrease from the present tariff schedules could be made without serious harm to American industries, and that the lower basis could be used for reciprocity purposes in the adoption of commercial agreements which would stimulate our export trade.